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Subject: Economic Growth and Regulatory Paperwork Reduction Act of 1996 Review

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April 20, 2004

Dear Federal Reserve:

As a community banker, I would like to comment on the critical problem of regulatory burden. Most of the consumer protection regulations are good in theory, but quirky interpretations frequently make them extremely time consuming to comply with and even interfere with the intended benefit to the consumer. The community banking industry is slowly being crushed under the cumulative weight of regulatory burden.

There is no better example than to look at "Finance Charges" in Reg. Z-Truth in Lending. The definition of the finance charge, assessing what must be included, is very confusing. To the consumer, the APR calculation on secondary market real estate loans has become meaningless. This process desperately needs simplification so that all consumers can understand the APR and bankers can easily calculate it.

Another good example is in the Equal Credit Opportunity Act (Federal Reserve Regulation B). Regulation B creates a number of compliance problems and burdens for banks. Knowing when an application has taken place, for instance, is often difficult because the line between an inquiry and an application is not clearly defined. Frequently, a customer simply comes into the bank to obtain more information in order to make a decision. It can be difficult to comply with present regulations and yet offer opinions and advice to customers.

Adverse Action Notices. It would be preferable if banks could work with customers and offer them alternative loan products if they do not qualify for the type of loan for which they originally applied. However, that may then trigger requirements to supply adverse action notices. For example, it may be difficult to decide whether an application is truly incomplete or whether it can be considered "withdrawn." A straightforward rule on when an adverse action notice must be sent - that can easily be understood - should be developed.

Flood Insurance. The current flood insurance regulations create difficulties with customers, who often do not understand why flood insurance is required and that the federal government - not the bank - imposes the requirement. The government needs to do a better job of educating consumers to the reasons and requirements of flood hazard insurance. Flood insurance requirements should be streamlined and simplified to be understandable.

It would be much easier for banks, especially community banks that have limited resources, to comply with regulatory requirements if requirements were based on products and all rules that apply to a specific product were consolidated in one place. Second, regulators require banks to provide customers with understandable disclosures and yet do not hold themselves to the same standard in drafting regulations that can be easily understood

by bankers. Finally, examiner training needs to be improved to ensure that regulatory requirements are properly - and uniformly - applied.

The volume of regulatory requirements facing the banking industry today presents a daunting task for any institution, but severely saps the resources of community banks. We need help immediately with this burden before it is too late. Community bankers are in close proximity to their customers, understand the special circumstances of the local community and provide a more responsive level of service than megabanks. However, community banks cannot continue to compete effectively and serve their customers and communities without some relief from the crushing burden of regulation. Thank you for the opportunity to comment on this critical issue.

Sincerely,

Cary J Anderson